

Revised on 6/1/05 based on amendments adopted through 5/31/05.

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2005-06		FY 2006-07	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 577 pertains to funding for early childhood education programs. The bill changes the state aid formula (TEEOSA) to provide a weighting factor for early childhood education programs and to include the membership of children enrolled in an early childhood grant funded program in the calculation of state aid. The membership of those who will be eligible to attend kindergarten in the following year is included, if the program has received an early childhood grant through the Early Childhood Education Grant Program for three years.

The early childhood education students are included as adjusted formula students for determining formula "needs" in the first two years, but are subtracted from adjusted formula students for the first two years when determining average formula cost per student in each cost grouping. This is to allow the funding to continue to be provided based upon K-12 students until the expenditures for early childhood education students are reflected in the calculation of state aid. School districts which receive additional state aid attributed to the early childhood program are authorized to exceed the allowable growth rate in an amount equal to the number of adjusted formula students in the early childhood program times the cost group cost per student. The bill prioritizes the distribution of grant funds. It also provides for a reduction of grant funds to an early childhood program equal to the amount of state aid that is calculated and included in the state aid formula for early childhood education students. These funds are then reallocated to other early childhood programs.

The early childhood grant program served a total of 1,350 children in 2003-04. Approximately 800 of the children were four year olds who would attend kindergarten in the following year. The bill allows these students to be included as part of adjusted formula students in the calculation of state aid beginning in 2007-08. Assuming half of the children attend a full-day kindergarten program (1,032 hours) and the other 50% attend a half-day program, the estimated increase in state aid in 2007-08 to include 800 early childhood students in the calculation of the formula, will be about \$2.4 million. Based upon new funding for early childhood programs provided in LB 425, it is estimated that funding for an additional 335 children will be phased into the formula in 2008-09. The increase in children funded through the formula in the following years is based upon granting funds to other early childhood programs that are freed up from: (1) a 33% differential in funding in the initial year of a grant and second year funding, and; (2) the integration of funding for four year olds into the state aid formula. The following chart shows the estimated annual increase in state aid for a five year period as funding for children in early childhood programs is phased into the formula.

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Estimated State Aid Increase					
1 st Year – 800 Children	2,400,000	2,500,000	2,700,000	2,800,000	2,800,000
2 nd Year – 335 Children		1,100,000	1,100,000	1,200,000	1,200,000
3 rd Year – 84 Children			300,000	300,000	300,000
4 th Year – 204 Children				700,000	700,000
5 th Year – 204 Children					800,000
Estimated Fiscal Impact	2,400,000	3,600,000	4,100,000	5,000,000	5,800,000

These calculations assume the Early Childhood Education Grant Program will continue to fund programs in the existing manner, with base year grants being 33% higher than continuation grants. It also assumes approximately 50% of the programs will be full-day and 50% will be half-day early childhood education programs. The calculations are also based upon the assumption that 60% of the children in early childhood education grant programs are four year olds. Any variations from these assumptions will impact the fiscal impact of the bill.

The bill, as amended on Select File, provides that early childhood programs which have operated for three years and have been approved as meeting the same guidelines as early childhood programs receiving state grants may also have their four year olds integrated into the state aid formula. At the present time, there may be around fifty programs that may meet this criteria which are primarily small early childhood programs for special education students. The fiscal impact shown above will be greater beginning in 2008-09, if these programs are approved as meeting the guidelines. It is estimated the fiscal impact will increase by \$500,000 to \$1 million in 2008-09, if these programs are approved.